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S E C R E T SECTION 01 OF 04 BEIJING 000661

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TAGS: [PREL](#) [CH](#)

SUBJECT: Prospects for U.S.-China Relations

Classified by Ambassador Clark T. Randt, Jr. Reasons 1.4 (b) and (d).

SUMMARY

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11. (S) The United States and China share important and growing political and economic interests that will bind us indefinitely, despite frictions. Where interests vary or compete, we share a common interest in managing our differences. In the medium term, China's core foreign policy goals -- securing access to energy supplies and maintaining a stable international environment in order to pursue domestic economic development -- will keep China as a status quo power. Over time, China's growing strength will lead to a foreign policy more willing to confront the United States but also better able to take up the responsibilities of a global stakeholder. China will continue to demand more from the United States on Taiwan than we are willing to give, and Taiwan will remain a potential flashpoint. As we face an increasingly self-confident and powerful China, we can and should continue to use bilateral policy instruments, including high-level engagement (such as the Senior Dialogue and Strategic Economic Dialogue), China's multilateral commitments, and the Chinese desire to build its international image and standing to protect U.S. interests, spur positive change in China and increase Beijing's stake in international institutions and its adherence to international norms. End Summary.

ECONOMIC TIES THAT BIND

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12. (C) The United States and China share enormous economic interests. China is the top U.S. trade partner outside of North America, and public and private sector analysts agree that China's share of our trade will continue to rise. Exports have been a primary driver of China's growth. Export-oriented employment, along with technology transfers and other indirect benefits of foreign investment and trade, are major ingredients of China's economic miracle. Similarly, low inflation and strong growth in the United States over the last two decades stem in part from low-cost Chinese imports and financial inflows. It is in the interests of both the United States and China to maintain the benefits created by our complementary economies while correcting current imbalances by continuing to pressure China to open markets, particularly in the service sector, and to significantly improve the protection of intellectual property rights. At the same time, frictions need to be managed carefully to avoid harming our common economic interests.

POLITICAL COOPERATION

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13. (C) Shared overall U.S.-China interests in peace, security and prosperity likewise are dogged by frictions. Differences over values, political systems, specific goals and means will continue. The list of areas of political and security friction is long and includes China's authoritarian political system, China's support for unsavory regimes, China's breakneck military modernization, China's

paranoid fear that the United States secretly promotes regime change and "separatists" in Taiwan, Tibet and Xinjiang, growing nationalism and the sense in some quarters in both Washington and Beijing that the United States and China are commencing a long-term struggle for global political, economic and military supremacy. Countering these differences is the buildup of mutual trust between the U.S. and Chinese leadership and the willingness to work together in an increasingly broad spectrum of common strategic interests. China's realization of its own interest in a stable, non-nuclear Korean Peninsula and frustration with an inept North Korean leadership seemingly incapable of creating an economy that can sustainably support its own people, leading to constant refugee outflows, has led to close cooperation with the United States in the Six-Party Talks. The evolution in China's position on Darfur, driven by the Olympics-related international publicity concerning China's role in abetting genocide, shows that extreme diplomatic and public pressure can redirect Chinese policy to a degree. China's cooperation on Burma and Iran has been grudging and limited, but real. We have been able to leverage China's growing interdependence and concern for its global public image into support for multilateral actions that further U.S. goals.

#### FAMILIARITY BREEDS FRICTION

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14. (C) The expanding breadth, scale and intensity of U.S.-China engagement bring additional opportunities for friction as well as cooperation. China's gradual approach to exchange rate flexibility, slowness on further trade liberalization, weak IPR protection and other barriers to trade and investment require constant attention. China's perception that U.S. assertiveness on WTO commitments, import regulation, investment cases and product safety is discriminatory requires education and explanation. Such frictions could become more acute should the economy worsen, protectionism rise, or sensitivity

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over foreign investment sharpen in either country. Politically, differing assessments on the urgency of issues like Iran's nuclear program and appropriate tactics to realize shared strategic goals will mean China and the United States continue to butt heads diplomatically. Divergent views on democracy and human rights will continue to be a sore point in the bilateral relationship. Managing day-to-day frictions with an eye to larger interests will be the greatest challenge for policy-makers.

#### RHETORIC: STRATEGIC REBALANCING

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15. (C) China's rise and emergence as a global power is a powerful and popular theme in Chinese contemporary culture, with hundreds of books, major TV series, countless media articles and academic studies devoted to it. Official public statements on foreign policy stress "democratization of international relations" and a more "multi-polar" world, contrasted with U.S. "unilateralism." Many scholars, officials and ordinary citizens believe China's past weakness has forced it to endure "injustices" from the United States, like the Taiwan Relations Act and U.S. arms sales to Taiwan, and Chinese have no trouble linking these injustices to a centuries-long string of humiliations China perceives itself as having suffered at the hands of foreign powers. MFA officials often complain informally (and unfairly) that the United States demands China address U.S. concerns while ignoring China's concerns. As China's international presence and nationalist sentiment grow, commensurate with greater political, economic and military might, Chinese analysts anticipate a more assertive Chinese foreign policy and a greater readiness to confront the United States.

#### REALITY: STATUS QUO POWER

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16. (C) Despite the flag-waving "rising China" theme in popular culture and official media promising a more assertive Chinese international stance, the reality of China's foreign policy for at least the next five years is that China is committed to the international status quo as it reaps the benefits of U.S.-policed globalization. President Hu's "Harmonious World" foreign policy,

officially sanctified at the 17th Party Congress in October, explicitly endorses the existing world order and declares that China's interest is in maintaining a stable international environment where it can pursue domestic economic and social development goals. China's foreign policy leaders take great pains to highlight China's "developing country" status as a way to offset international calls for China to play a more significant international role, and to expend more material and political resources, commensurate with its "emerging power" status. In January, Executive Vice Foreign Minister Dai Bingguo held the fifth session of the U.S.-China Senior Dialogue in his poor rural home province of Guizhou rather than Beijing to make the point that China remains poor and is confronted with economic development challenges on a large scale. Continued access to energy supplies and raw materials on the international market is essential to China's continued economic growth, which means continued reliance on global peace and stability and the existing global security system to protect such shipments. As XXXXXXXXXXXX told XXXXXXXXXXXX, "when it comes to the basic Chinese interest in securing energy supplies and raw materials for our economic growth, free-riderism works for us right now."

IRRESPONSIBLE STAKEHOLDER?  
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17. (C) Internal debate continues in China regarding its appropriate international role. Some foreign policy figures argue China should seize opportunities to lead on global issues like climate change, nonproliferation and mediation of international disputes. Contacts have said these remarks reflect internal government debates on balancing global with purely national interests. The feeling in China that China remains too poor and underdeveloped to be much of a global stakeholder remains strong, although it would appear that China's standard of "developed" is increasingly the United States. One academic said, "the United States still reaps almost all of the benefits of 'international public goods' and should expect to bear almost all of the costs." This argument, along with the frequent pious invocation of "non-interference in internal affairs" provides a thin political justification for China's fundamentally mercantile pursuit of resources in Burma, Iran, Sudan and other pariah states. The tension between China's long-term, broad global interests and its short-term, naked national interests will persist in Chinese foreign policy for some time. So far, public opinion has been the most effective tool in blunting the Chinese effort to profit from its rogue-state relationships. The Chinese want to build an international image as a responsible power and are sensitive to accusations that they facilitate the abuses of rogue regimes. The Chinese cooperation on Darfur after international outcry began to

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threaten another core interest (a successful Olympics) demonstrates how public opinion can provide effective motivation.

ACTIVISM VS. NON-INTERFERENCE  
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18. (C) Part of the debate over China's role as stakeholder stems from differing views on China's long-standing, expedient policy of "non-interference." Since the beginning of the reform era, China has generally followed Deng Xiaoping's advice to maintain a low profile and focus on its own development. In this spirit, China's pledge of "non-interference" in other nations' affairs became a pillar of China's declared foreign policy. More recently, some have viewed President Hu Jintao's trademark "Harmonious World" policy as a subtle renunciation of non-interference that acknowledges the need for China to be engaged in a globalized world. One prominent foreign policy expert told us that while China is still "feeling its way" on an activist foreign policy, Beijing will continue to move toward greater engagement and less "non-interference." XXXXXXXXXXXX said more bluntly that China's non-interference policy "has always been flexible" and that China is comfortable in an activist role where it wants to be.

HUMAN RIGHTS  
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¶9. (C) As economic success increases China's confidence that China can develop without Western-style democracy, resistance to U.S. promotion of human rights may intensify. At the same time, Chinese leaders see the utility of a limited expansion of civil society, including improvements in the rule of law and a stronger role for approved religions, NGOs, charities and other actors in areas that contribute to social stability and do not challenge Communist Party rule. China is open to U.S. experience in these areas, though Chinese leaders will tolerate only slow and limited change. In areas such as Tibet and Xinjiang, the fear of separatism leads to tighter restrictions on the growth of civil society. We should continue to press the Chinese to resume our formal human rights dialogue to provide a bilateral channel for a regular, high-level exchange of views. In such discussions, we should continue to express our serious concerns over Beijing's human rights record and appeal to China's growing awareness that greater respect for human rights, religious freedom and the rule of law will serve to promote the very development and social stability that China seeks as well as to improve China's international image.

#### THE ROLE OF SOFT POWER

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¶10. (C) China actively pursues educational exchanges, cultural performances, youth exchanges and other instruments of "soft power." Development assistance to resource-rich nations has also grown and remains generally without conditions (except with respect to the Taiwan issue). China is also making attempts to break into what it sees as an undesirable Western, and specifically American, monopoly of the international news media and to offer an alternative to ubiquitous American popular culture. Soft power is a useful arrow in the Chinese foreign policy quiver but should not be overestimated. Chinese culture tends toward exceptionalism rather than universality; i.e., many things about Chinese culture, in the Chinese view, are appropriate (or even intelligible) to Chinese alone. Moreover, China senses that its traditional low profile and attempts not to be seen as competing with the values and political systems of other countries are part of its attractiveness. The Chinese acknowledge both the limits of soft power and that China's reliance on soft power is in large measure due to the fact that China, in the near-term, lacks hard power.

#### TAIWAN

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¶11. (S) China has long identified Taiwan as one of its core interests. Chinese leaders see preventing Taiwan's formal independence as crucial to their legitimacy, and the United States is committed to the defense of the status quo absent agreement to a change by the peoples on both sides of the Strait. Taiwan will continue to be the largest threat to U.S.-China relations, potentially resulting in armed conflict. Though China always wants more, for the past two years Chinese leaders have appeared relatively satisfied with and even appreciative of U.S. policy toward Taiwan, despite rhetoric to the contrary. U.S. disaffection with Chen Shui-bian and explicit U.S. opposition to the DPP referendum on UN membership in the name of Taiwan have eased China's anxieties to a degree. Nevertheless, our uneasy modus vivendi on the Taiwan issue is fragile. Beijing may mistakenly come to believe, despite our constant disclaimers, that we are willing to "manage" Taiwan in partnership with China over the heads of Taiwan's democratically elected leaders. Taiwan's next President may win a few short-term, small concessions from China. However, thwarted Chinese expectations

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of progress toward reunification or of a U.S. willingness to "manage" Taiwan could lead to a rocky medium term.

#### CHINA'S EXPANDING "CORE INTERESTS"

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¶12. (S) In addition to Taiwan and other sovereignty concerns (e.g., Tibet and the Dalai Lama and Xinjiang and Rebiya Kadeer), China has begun to articulate additional "core interests" in Chinese foreign policy. So far, these core interests center on China's access to energy resources. Thus, in Iran and Sudan China has resisted

international sanctions that would affect its energy cooperation. Recently, China has suggested that cooperation in the UNSC and in other areas is contingent on the U.S. not sanctioning Sinopec's investment in Iran's Yadavaran oilfield. U.S. policy will need to ensure that when we challenge China's self-defined core interests, we do so deliberately and advisedly.

#### ROLE OF U.S. POLICY

¶13. (C) Many aspects of the U.S.-China relationship are not amenable to foreign policy intervention. China's growth and slow settling into the role of a great power result from largely economic and historical trends. Similarly, tensions over Taiwan, given the firm parameters of U.S. law and our interests in ensuring a peaceful resolution of issues affecting a democratic Taiwan, will be unavoidable. Nonetheless, we can protect our economic and political interests, spur positive change in China and increase Beijing's realization of its stake in effective international institutions and international norms. China's changing worldview and increasing interest in how it is perceived on the international stage will create new opportunities to influence China. Pursuing an increasingly close and cooperative U.S.-China relationship will require constant attention and frequent high-level meetings and dialogues to expand our common interests, manage our differences and prevent misunderstandings and misperceptions in a rapidly changing world.

RANDT